

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2019-2-E

In re: Annual Review of Base  
Rates for Fuel Costs for South  
Carolina Electric & Gas Company

**REPLY TO SOUTH CAROLINA  
ELECTRIC & GAS'S RESPONSE  
REGARDING THE SOLAR BUSINESS  
ALLIANCE'S MOTION  
TO BIFURCATE PROCEEDING**

**Introduction**

Pursuant to 26 S.C. Code Ann. Reg. 103-829, Intervenors South Carolina Coastal Conservation League (CCL) and Southern Alliance for Clean Energy (SACE) respectfully submit this reply to South Carolina Electric & Gas (SCE&G's) response to the Solar Business Alliance's (SBA) *Motion to Bifurcate Proceeding* in the above-referenced proceeding.

**Reply to SCE&G's Response**

Bifurcating this proceeding to separately address SCE&G's avoided cost and variable integration charge proposals would serve judicial economy, as outlined in SBA's motion, and would also allow intervenors and the Commission time to more thoroughly vet and respond to these important and contested issues in a proceeding that otherwise has a historically challenging timeline.

In Docket 2018-2-E the Commission recognized that it has discretion as to whether the PR-2 update and avoided cost methodology should be considered in the context of the fuel case. Docket No. 2018-2-E, hrg. tr. Vol. I at p. 13, ll. 4-10. Act 236 contemplated avoided cost recovery being an issue in the fuel cost recovery proceeding,

but it is silent on the avoided cost methodology or related changes being considered in this proceeding. *See* S.C. Code Ann. § 58-27-865. There is also language in Act 236 indicating that avoided cost issues may be considered “coincident” with the fuel cost recovery proceeding, but not necessarily in the exact same proceeding. *See* S.C. Code Ann. § 58-39-140(C) (“Upon request by the Office of Regulatory Staff or the electrical utility, a public hearing must be held by the commission coincident with the fuel cost recovery proceeding required under Section 58-27-865 to determine whether an increase or decrease in the fuel cost component designed to recover incremental or avoided costs should be granted.”). The Commission has flexibility to bifurcate these issues of PR-2 updates, avoided cost methodology, and variable integration charge into a separate timetable at a minimum, and even a separate proceeding if necessary.

While the Commission declined to exercise its discretion last year, there are at least three reasons why bifurcation is appropriate this year. The first two were raised by SBA in its Motion to Bifurcate. First, pending legislation would direct parties to undergo another avoided cost proceeding in 2019. Second, SCE&G entered into a settlement that requires them to propose new avoided cost rates for particular resources later in 2019 and commits them to a related stakeholder process that is currently ongoing. The Commission has previously held proceedings in abeyance where it would increase efficiency and avoid re-litigation of issues under new standards that may emerge from a parallel process.<sup>1</sup>

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<sup>1</sup> *See, e.g.*, Docket No. 2003-338-C, Order No. 2004-478 (holding proceeding in abeyance while the FCC completed a process to reform the cost methodology at issue: “the Commission recognizes that proceeding without the benefit of knowing the result of the FCC’s proceedings could result in a decision which could be at odds with what the FCC decides. Therefore, the Commission finds and concludes that it is in the interest of the parties, the Commission, and the public to hold the instant matter in abeyance until we receive some guidance from the FCC’s proceedings.”); Docket No. 1998-650-C, Order No. 2999-218

Third, though not specifically relied on by SBA, other intervenors and the Commission would likely benefit from additional time to vet SCE&G's latest avoided cost proposals, particularly the newly proposed variable integration charge, which is expected to have a material impact on renewable energy development in South Carolina. The historically time-limited schedule of the fuel cost proceedings continues to make it challenging to fully consider, analyze, and respond to SCE&G's proposals, particularly when there are changes in methodologies or new proposals such as the variable integration charge.<sup>2</sup> The concern over whether the time-constrained schedule of the fuel cost proceeding is adequate to address a widening scope of issues has been previously briefed for the Commission.<sup>3</sup> Intervening parties appreciate the Commission's direction last year to extend the deadlines in 2019. Unfortunately, because of SCE&G's constraints in developing testimony and the May 1 effective dates for new fuel cost factors, the period for discovery and development of intervenor testimony following SCE&G's direct testimony was extended for 12 days instead of the longer time-frame initially proposed by Commission staff. Intervenors have diligently endeavored to work within the timelines of the docket, but it does continue to be a challenge. Bifurcating the proceeding so that the cost *recovery* issues proceed on the schedule as set forth in the docket, while avoided cost methodology and calculation issues and the newly proposed

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(holding proceeding in abeyance until FCC issued guidance with the recognition that a true-up could be used in the future to prevent prejudice to any party).

<sup>2</sup> As noted in CCL and SACE's comments on the proposed procedural schedule for this proceeding in July 2018, the compressed and time-constrained schedule of the fuel cost proceedings also limits the amount of time afforded to the Commission between the hearing date, receiving proposed orders, and the new fuel cost rider implementation dates. See CCL and SACE, *Comments on Proposed Prefile Schedule for Testimony and Hearing* (filed July 12, 2018). Addressing the more contested issues in a separate proceeding or separate timetable would alleviate this constraint and timing difficulty.

<sup>3</sup> See, e.g., CCL and SACE *Reply* in Docket No. 2018-2-E (filed March 9, 2018); SBA, *Request for March 22, 2018 Testimony Deadline to be Extended Ninety Days* (filed March 7, 2018), CCL and SACE, *Reply* (filed March 9, 2018), and CCL and SACE's *Petition for an Order Requiring South Carolina Electric and Gas Company to Comply with Commission Order No. 2018-55* (filed in 2017-2-E on March 21, 2018).

variable integration charge proceed on a separate schedule would afford more time for thoughtful consideration and deliberation of these determinations, which will likely have a direct and material impact on whether renewable energy continues to be deployed in South Carolina, and specifically SCE&G's territory.

Finally, CCL and SACE note that SCE&G's statement that bifurcating the pending proceeding will "unreasonably and unlawfully expose SCE&G's retail customers to excessive avoided costs in the interim," SCE&G *Response* at p. 9, is an improper assertion that presumes a particular outcome in the proceeding before the Commission. Whether SCE&G's calculations accurately reflect renewable energy's value to ratepayers and the grid and whether the Company is entitled to the avoided costs it has proposed are questions for the Commission to decide, as is the issue of whether alternative avoided costs would harm SCE&G's customers. CCL and SACE believe that the evidence points to a conclusion different from that proposed by SCE&G. Retail customers are, in fact, harmed when avoided costs are set too low or excessive interconnection charges are imposed because these outcomes stifle independently produced and cost-competitive renewable energy generation. SCE&G's customers are likely to suffer if a hurried decision results in inaccurate avoided cost rates. For the same reason, the request to withdraw the PR-2 rate should also be denied.

### **Conclusion**

WHEREFORE, Intervenors respectfully request that the Commission grant the relief requested in SBA's *Motion to Bifurcate Proceeding*, deny SCE&G's request to withdraw the PR-2 rate, and order any other appropriate action the Commission may deem necessary.

Respectfully submitted this 22th day of March, 2019.

s/ Lauren J. Bowen

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CERTIFICATE OF SERVICE

I hereby certify that the parties listed below have been served via electronic mail with a copy of the *Reply to South Carolina Electric & Gas's Response Regarding the Solar Business Alliance's Motion to Bifurcate Proceeding*.

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This 22nd day of March, 2019.

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